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CURRENT SERIAL RECORDS

ORDERLY LIQUIDATION OF STOCKS OF AGRICULTURAL COMMODITIES HELD
BY THE COMMODITY CREDIT CORPORATION AND THE EXPANSION OF MARKETS
FOR SURPLUS AGRICULTURAL COMMODITIES

✓✓
An Annual Report by the Secretary of Agriculture in response to
Section 201(b), Public Law 540, 84th Congress

✓
UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D. C.

December 1962

This report is in response to the following parts of Section 201 (b), Public Law 540, 84th Congress, approved May 28, 1956:

". . . The Secretary shall report annually on his operations under subsection (a) and such reports shall show --

- (1) the quantities of surplus commodities on hand;
- (2) the methods of disposition utilized and the quantities disposed of during the preceding twelve months;
- (3) the methods of disposition to be utilized and the estimated quantities that can be disposed of during the succeeding twelve months;
- (4) a detailed program for the expansion of markets for surplus agricultural commodities through marketing and utilization research and improvement of marketing facilities; and
- (5) recommendations for additional legislation necessary to accomplish the purposes of this section."

NOTE: Parts I, II and IV were written and compiled by the Office of the General Sales Manager, Foreign Agricultural Service on the basis of official figures furnished by the Fiscal and Budget Divisions of the Agricultural Stabilization and Conservation Service.

The topical sections of Part III were written by various agencies of the Department as indicated below:

Utilization Research and Development - Agricultural
Research Service
Expanding Domestic Markets - Economic Research Service
Improvement of Marketing Facilities - Agricultural
Marketing Service
Economic Research and Promotion of Exports - Foreign
Agricultural Service and Economic Research Service
Farmer Cooperatives - Farmer Cooperative Service
Forest Products Marketing and Utilization Research -
Forest Service



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PART I

QUANTITIES OF SURPLUS COMMODITIES ON HAND; SALES AND DISPOSITION METHODS USED; AND QUANTITIES OF CCC COMMODITIES MOVED INTO CONSUMPTION CHANNELS

The total cost value of CCC price support inventories was reduced from \$5.6 billion as of June 30, 1961 to \$4.5 billion ^{1/}as of June 30, 1962. This \$1.1 billion dollar reduction is the largest reduction in any one fiscal year since the Korean War and was obtained largely through the success of the 1961 Emergency Feed Grain Program. Under this program sales of corn and grain sorghums on an unrestricted use basis were greatly increased. During Fiscal Year 1962 dispositions from CCC inventories totaled \$3.2 billion (acquisition cost value basis) as compared with \$3.5 billion in Fiscal Year 1961. ^{1/} Although sales of corn and grain sorghums were much higher, less cotton was sold during F. Y. 1962 than F. Y. 1961 which accounts for sales and dispositions in 1961 exceeding those of 1962.

CCC'S PRICE SUPPORT INVESTMENT

Composition of the total CCC inventory and changes in the inventory from Fiscal Year 1958 through 1962 are shown in Table 1.

A comparison of CCC inventories as of June 30, 1962 with inventories as of June 30, 1961 shows some rather startling developments. Inventories of all the major commodities were substantially reduced. Corn dropped from 1,261,016,000 bushels to 658,805,000 bushels. Wheat declined nearly 150 million bushels. (See Chart 1) Stocks of cotton, barley, grain sorghums, rye, rice and peanuts were reduced. Tobacco under loan to CCC fell from 609,524,000 pounds to 451,079,000 pounds. Quantities of dairy products, vegetable oil products, turpentine and oats were increased but since these commodities make up only six percent of CCC's total investment these increases are not very significant.

CCC's net investment in price support loans and inventories totaled \$4,959,559,000 as of June 30, 1962, down about \$225 million from the previous year's \$5,184,179,000. However, commodities pledged for loans

^{1/} In order to facilitate comparisons with amounts reported for the current fiscal year, designated amounts in this report which relate to the 1961 fiscal year have been revised in accordance with the changes in accounting policy adopted by the Commodity Credit Corporation as of June 30, 1961. (See press release USDA 3157-61, dated September 28, 1961 for explanation of the accounting policy changes.)

increased from \$1,475,390,000 to \$2,182,668,000. (See Table 2 which shows total CCC investment in commodities pledged for loans and commodities in inventory as of June 30, 1962.)

Table 1

COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
AS OF JUNE 30
(All Figures in Thousands)

COMMODITY	Unit of Measure	1958	1959	1960	1961	1962
Cotton, Extra Long Staple	Bales	1	29	44	43	14
Cotton, Upland	Bales	1,073	1,020	5,017	1,932	1,449
Wheat	Bushels	834,921	1,146,576	1,195,369	1,242,518	1,096,620
Wheat Flour	Pounds	36,238	-	-	80	-
Bulgur	Pounds	-	-	-	-	2,255
Corn	Bushels	1,028,032	1,043,676	1,158,237	1,261,016	658,805
Cornmeal	Pounds	23,697	-	-	-	1,079
Barley	Bushels	85,513	99,343	71,051	53,769	34,092
Oats	Bushels	29,940	46,838	15,096	10,358	16,744
Rye	Bushels	6,091	6,600	5,318	4,323	2,617
Grain Sorghums	Cwt	174,986	280,658	319,281	392,311	384,776
Butter	Pounds	117,359	72,001	105,357	159,531	401,030
Cheese	Pounds	124,343	26,055	7,728	17,673	106,055
Milk, Dried Non-fat	Pounds	176,597	136,062	299,886	307,018	626,052
Beans, Dry Edible	Cwt	73	530	150	1,206	2,631
Rice, Milled	Cwt	3,632	3,347	1,575	76	179
Rice, Rough	Cwt	7,842	4,983	5,013	4,216	135
Seeds, Hay & Pasture	Pounds	35	-	-	-	-
Peanuts, Farmers' Stock	Pounds	37,539	72,773	16,644	16,546	-
Peanuts, Shelled	Pounds	52,907	77,032	103,762	70,188	4,431
Tung Oil	Pounds	14,631	14,369	18,593	4,828	-
Cottonseed Oil, Refined	Pounds	-	39,585	-	-	-
Cottonseed Oil, Crude	Pounds	-	74	-	-	-
Linseed Oil	Pounds	-	11,000	27	-	-
Flaxseed	Bushels	3,173	6,898	67	1	-
Soybeans	Bushels	31,178	54,852	20,380	1	51,631
Vegetable Oil Products	Pounds	-	-	-	-	93,772
Honey	Pounds	53	207	-	-	-
Rosin	Pounds	265,312	224,411	-	-	-
Turpentine	Gallons	639	-	-	-	1,730
Tobacco	Pounds	15,951	11,089	-	-	-
TOBACCO UNDER LOAN TO CCC						
Tobacco	Pounds	900,731	892,475	667,785	609,524	451,079

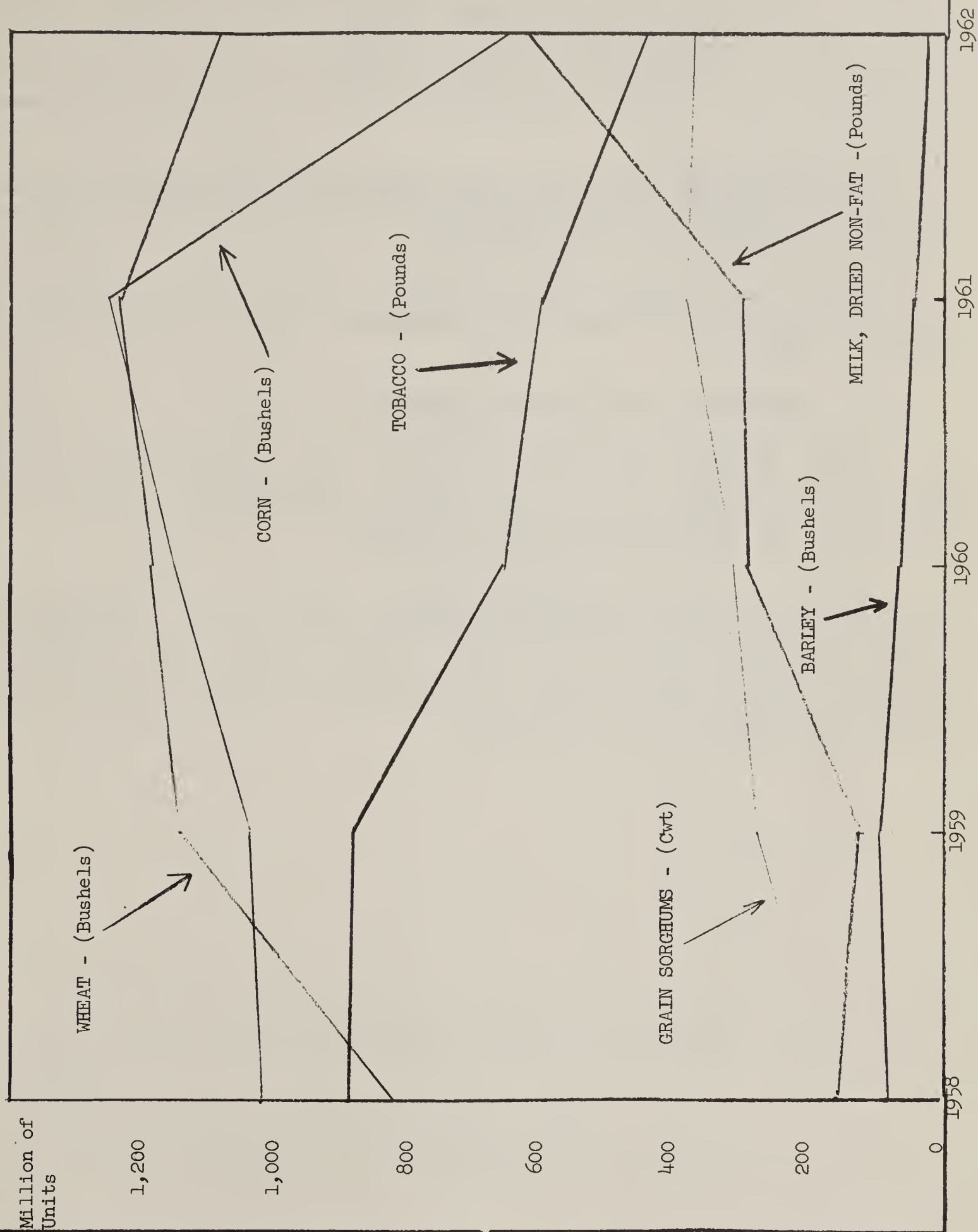
Table 2

QUANTITY, INVESTMENT VALUE AND NET BOOK VALUE OF
COMMODITIES PLEDGED FOR OUTSTANDING LOANS AND COMMODITIES IN
PRICE-SUPPORT INVENTORY AS OF JUNE 30, 1962 AND JUNE 30, 1961

(All Figures in Thousands)

COMMODITY	Unit of Measure	Investment as of June 30, 1962			Reserve for Losses	Total Net Book Value	Total Investment	
		Pledged for Loans	In Inventory	Total			As of June 30, 1961	Value
		Quantity	Quantity	Quantity			Quantity	
		Value	Value	Value				
Corn	Bushels	925,576	658,805	\$ 1,777,748	\$ 440,502	\$ 1,337,246	2,003,155	\$ 2,478,118
Cornmeal	Pounds	-	1,079	1,079	37	1	-	-
Cotton, Extra Long Staple	Bales	6	14	20	168	5,298	44	12,196
Cotton, Upland	Bales	3,488	1,449	4,937	213,065	621,235	2,026	339,529
Peanuts	Pounds	58,979	4,431	63,410	5,724	5,746	87,182	12,919
Rice	Cwt	-	314	314	2,246	167	4,301	20,675
Tobacco	Pounds	451,079	-	451,079	6,394	298,271	609,524	387,851
Wheat	Bushels	80,434	1,096,620	2,292,118	513,498	1,778,620	1,368,113	2,706,798
Wheat Flour	Pounds	-	-	-	-	-	80	4
Bulgur	Pounds	-	2,255	2,255	120	6	-	-
Barley	Bushels	15,749	34,092	49,841	4,329	38,226	95,606	82,139
Honey	Pounds	1,526	-	1,526	-	195	512	62
Butter	Pounds	-	401,030	401,030	236,384	2,874	159,531	95,824
Cheese	Pounds	-	106,055	106,055	39,324	848	17,673	6,681
Milk, Dried Non-fat	Pounds	-	626,052	626,052	75,124	24,109	307,018	44,953
Oats	Bushels	14,843	16,744	31,587	1,712	16,499	37,959	20,272
Rye	Bushels	156	2,617	2,773	-	2,637	5,917	5,733
Grain Sorghums	Cwt	9,562	384,776	394,338	105,533	650,162	404,830	779,577
Tung Oil	Pounds	3,584	-	3,584	-	870	6,664	1,396
Almonds	Pounds	433	-	433	-	87	-	-
Beans, Dry Edible	Cwt	23	2,631	2,654	13,937	4,509	1,206	7,922
Flaxseed	Bushels	32	-	32	-	90	16	38
Rosin	Pounds	88,403	-	88,403	-	8,779	9,470	917
Turpentine	Gallons	-	1,730	1,730	516	392	1,730	906
Soybeans	Bushels	18,070	51,631	69,701	21,411	142,366	214	395
Vegetable Oil Products	Pounds	-	93,772	93,772	17,245	-	-	-
Strategic and Critical Materials		-	-	-	198	20,326	-	33,818
Totals		\$ 2,182,668	\$ 4,474,358	\$ 6,657,026	\$ 1,697,467	\$ 4,959,559		\$ 7,038,723

QUANTITIES OF SELECTED COMMODITIES
IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
FISCAL YEARS 1958-1962



CCC SALES PROGRAMS AND DISPOSAL METHODS

CCC sells or otherwise disposes of its commodities through five major outlets: Commercial Sales for U. S. Dollars, Payment-in-Kind Programs, Barter, Sales for Foreign Currencies, Transfers and Donations. In its sales and disposal operations, CCC utilizes, insofar as practicable, the customary facilities and arrangements of trade and commerce. Under the above programs CCC has developed various sales methods which are summarized by commodity in Table 3.

The quantities, cost value, and proceeds of CCC commodities moved out of inventory during the twelve months ending June 30, 1962, by sales and disposal programs are shown in Table 4.

Tobacco price support loan activity for Fiscal Year 1962 including sales of tobacco under loan to CCC (repayment and other loan credits is shown in Table 5.)

1. COMMERCIAL SALES FOR U. S. DOLLARS

Dollar sales accounted for 23% of total CCC dispositions during Fiscal Year 1962, as against 53% the year before. (See Table 6) This decrease was due to the large volume of feed grains (corn and milo for the most part) sold under the Emergency Feed Grain Program.

Activity continued to expand under the CCC Credit Program; credit sales accounted for about half of all CCC dollar export sales. Commodities most frequently purchased under CCC credit are corn, wheat, grain sorghums and barley. Domestic dollar sales of corn, wheat, barley, butter and tung oil were higher but domestic dollar sales of cotton, peanuts, rice, grain sorghums and nonfat dry milk were down.

TABLE 3

METHODS OF SELLING CCC COMMODITIES

June, 1962

FOR EXPORT			FOR UNRESTRICTED USE (DOMESTIC OR EXPORT)
Commodities Offered On Competitive Bids	: Commodities Offered At Fixed Prices	: Commodities Offered Under a Payment-In- Kind Program	: Commodities Offered at Not Less Than the Sta- tutory Minimum Either for Fixed Prices or Competitive Bids <u>1/</u>
(1)	(2)	(3)	(4)
Peanuts	: Nonfat Dry	: Cotton (upland)	: Cotton (upland) <u>3/</u>
Nonfat Dry	: Milk	: Wheat	: Cotton (extra long
Milk	: Butter	: Corn	: staple) <u>3/</u>
	: Cheddar Cheese	: Oats	: Peanuts, edible
		: Barley	: Peanuts, for crushing <u>4/</u>
		: Rye	: Wheat
		: Grain Sorghums	: Oats
		: Rough Rice <u>2/</u>	: Barley
		: Nonfat Dry Milk	: Corn
			: Rye
			: Grain Sorghums
			: Milled Rice
			: Rough Rice
			: Nonfat Dry Milk
			: Butter
			: Cheese
			: Dry Edible Beans
			: Turpentine
			: Honey
			: Cottonseed Oil

1/ Sales of commodities in danger of deterioration are made at the best price obtainable. Sales under the Emergency Feed Grain Program are made at market price.

2/ For export as milled, unpolished milled, or brown rice.

3/ CCC credit had special pricing formula.

4/ Statutory minimum not applicable when sold for crushing into oil or for export.

(All Figures in Thousands)

(All Figures in Thousands)													
Commodity	Unit of Measure	Total Dispositions	Sales for Dollars		P. L. 480 (Export)		Barter (Export)	Payment-in-Kind		Transfers		Donations	
			Domestic	Export	Title 1	Title 11		Unrestricted	Export	Domestic	Export	Domestic	Export
			a/	b/	c/	c/	d/	f/	e/	g/			
BASIC COMMODITIES													
Corn:													
Quantity	Bushels	986,091	259,413	18,010	12,306	14,198	43,558	619,767	17,922	155	57	705	
Cost Value		\$ 1,383,660	363,562	24,797	16,944	21,114	59,974	871,231	24,676	205	83	1,074	
Proceeds		\$ 1,036,111	241,816	21,688	34,152	42,604	52,473	621,959	21,072	347	-	-	
Cornmeal:													
Quantity	Pounds	641,476	5*	-	-	24,603	-	-	-	-	-	-	
Cost Value		\$ 22,082	d/	-	-	822	-	-	-	-	-	-	
Proceeds		\$ 839	-	-	-	839	-	-	-	-	-	-	
Cotton, Extra Long													
Staple:													
Quantity	Bales	30	30	-	-	-	-	-	-	-	d/	-	
Cost Value		\$ 8,142	8,142	-	-	-	-	-	-	-	d/	-	
Proceeds		\$ 9,123	9,123	-	-	-	-	-	-	-	-	-	
Cotton, Upland:													
Quantity	Bales	483	345	1	44	d/	1*	94	-	-	3	-	
Cost Value		\$ 82,582	58,897	141	7,505	45	109*	16,100	-	-	-	-	
Proceeds		\$ 77,775	53,674	100	8,464	56	223*	15,704	-	-	-	-	
Peanuts, Farmers' Stock:													
Quantity	Pounds	17,063	17,040	-	-	-	-	-	-	-	23	-	
Cost Value		\$ 1,794	1,790	-	-	-	-	-	-	-	4	-	
Proceeds		\$ 693	693	-	-	-	-	-	-	-	-	-	
Peanuts, Shelled:													
Quantity	Pounds	50,247	37,543	12,704	-	-	-	-	-	-	-	-	
Cost Value		\$ 7,717	5,711	2,006	-	-	-	-	-	-	-	-	
Proceeds		\$ 4,468	3,193	1,275	-	-	-	-	-	-	-	-	
Peanut Butter:													
Quantity	Pounds	56,008	-	-	-	-	-	-	-	-	-	-	
Cost Value		\$ 14,570	-	-	-	-	-	-	-	-	-	-	
Proceeds		\$ 10,684	-	-	-	-	-	-	-	-	-	-	
Rice, Milled:	Cwt												
Quantity		1,947	3	-	-	467	-	-	-	-	1,486	9*	
Cost Value		\$ 19,220	32	-	-	4,470	9*	-	-	-	14,821	94*	
Proceeds		\$ 4,666	20	-	-	4,646	-	-	-	-	-	-	
Rice, Rough: 1/	Cwt												
Quantity		4,123	2,808	-	374	-	-	-	941	-	-	-	
Cost Value		\$ 19,525	13,057	-	1,839	-	-	-	4,629	-	-	-	
Proceeds		\$ 21,641	14,800	d/	2,097	-	-	-	4,744	-	-	-	
Tobacco, Owned:													
Quantity	Pounds	71,581	-	-	-	-	71,581	-	-	-	-	-	
Cost Value		\$ 42,502	-	-	-	-	42,502	-	-	-	-	-	
Proceeds		\$ 42,502	-	-	-	-	42,502	-	-	-	-	-	
Wheat:													
Quantity	Bushels	276,098	76,693	4,211	85,620m/	18,865	41,682	-	48,033	d/	1	993	
Cost Value		\$ 590,569	164,632	8,939	181,747m/	42,587	88,478	-	101,960	1	-	2,225	
Proceeds		\$ 774,221	162,969	12,663	322,718m/	76,309	91,453	-	108,108	-	-	-	
Wheat, Rolled:													
Quantity	Pounds	54,513	4	-	-	-	-	-	-	-	-	-	
Cost Value		\$ 4,462	d/	-	-	-	-	-	-	-	-	-	
Proceeds		\$ -	-	-	-	-	-	-	-	-	-	-	
Wheat, Flour:													
Quantity	Pounds	2,348,101	133	-	-	416,250	-	-	-	-	-	-	
Cost Value		\$ 124,886	8	-	-	22,943	-	-	-	-	-	-	
Proceeds		\$ 23,417	6	-	-	23,411	-	-	-	-	-	-	
Bulgur:													
Quantity	Pounds	60,151	16	-	-	611	-	-	-	-	-	-	
Cost Value		\$ 3,483	1	-	-	34	-	-	-	-	-	-	
Proceeds		\$ 59	d/	-	-	59	-	-	-	-	-	-	

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1962

(All Figures in Thousands)

Commodity	Unit of Measure	Total Dispositions	Sales for Dollars Domestic	Export	P. L. 480 (Export) Title 1	Barter (Export)	Payment-in-kind g/ Unrestricted: Export	Transfers Domestic	Donations h/ Domestic	Export
			a/	b/	c/	d/	f/	g/		
OTHER NONBASIC COMMODITIES (Con't)										
Soybeans:										
Quantity	Bushels	126	126	-	-	-	-	-	-	-
Cost Value		\$ 277	\$ 277	-	-	-	-	-	-	-
Proceeds		\$ 291	\$ 291	-	-	-	-	-	-	-
Turpentine:										
Quantity	Gallons	-	30	30*	-	-	-	-	-	-
Cost Value		\$ -	\$ 16	16*	-	-	-	-	-	-
Proceeds		\$ 3	\$ 16	13*	-	-	-	-	-	-
Vegetable Oil										
Products:										
Quantity	Pounds	183,247	j/	-	13,798	-	-	-	-	169,449
Cost Value		\$ 32,247	j/	-	2,181	-	-	-	-	30,066
Proceeds		\$ 2,224	-	-	2,224	-	-	-	-	-
TOTAL AGRICULTURAL COMMODITIES:										
Cost Value		\$ 3,041,937	662,580	65,140	222,454m/	219,794	1,081,175	62,656	245,556	221,807
Proceeds		\$ 2,363,872	523,110	47,036	393,026m/	212,019	806,674	59,435	-	-
EXCHANGE COMMODITIES:										
Cost Value		\$ 185,071	-	-	-	-	-	185,071	-	-
Proceeds		\$ 193,293	-	-	-	-	-	193,293	-	-
TOTAL PRICE-SUPPORT PROGRAM:										
Cost Value		\$ 3,227,008	662,580	65,140	222,454m/	219,794	1,081,175	247,727	245,556	221,807
Proceeds		\$ 2,557,165	523,110	47,036	393,026m/	212,019	806,674	252,728	-	-

* Denotes negative item, usually resulting from adjustment of prior period transactions or inventory gains.

NOTE: Cost value as reflected in this table represents acquisition cost plus cost of any packaging or processing performed after acquisition.

a/ Includes inventory gains, losses and related recoveries. Also includes quantitative gains and losses in processing operations.

b/ Includes some sales which may be applied subsequently to barter contracts or P.L. 480. Title 1 authorizations. Any such reclassification will cause downward adjustments in "Sales for Dollars - Export."

c/ Proceeds represent the Corporation's full investment amount charged in the statutory limitation. Investment is computed at values designed to recover for CCC all costs related to these disposals.

d/ Proceeds represent exchange value of strategic or other material to be delivered under contracts.

e/ Commodities delivered as payment-in-kind for exportation under P.L. 480 are included in P.L. 480 (Export) Title 1 column and are not included in this column.

f/ Includes sales for payment-in-kind certificates issued under the 1961 Feed Grain Program.

g/ Includes sales to Section 32 at lower of cost or market for distribution to relief or welfare outlets.

h/ Includes donations under Sections 202, 407 and 416, and miscellaneous donations under various other authorizations.

j/ Less than five hundred.

k/ Includes sales of peanuts to oil refiners under contracts providing for the purchase of peanut oil by CCC.

l/ Includes sales of rough rice to processors under conditional contracts providing for repurchase as milled rice by CCC.

m/ Includes activity under P.L. 480, Title IV as follows: Quantity 1,709, Cost \$3,629 and Proceeds \$6,421.

Table 5

TOBACCO PRICE-SUPPORT LOAN ACTIVITY FOR FISCAL YEAR 1962

TYPE	Loans Outstanding July 1, 1961		Loans Made July 1, 1961 Through June 30, 1962		Repayments & Other Loan Credits July 1, 1961 Through June 30, 1962		Loans Outstanding June 30, 1962	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	(1,000 lbs)	(\$1,000)	(1,000 lbs)	(\$1,000)	(1,000 lbs)	(\$1,000)	(1,000 lbs)	(\$1,000)
Burley	81,177	51,444	8,995	8,492	60,257	36,059	29,915	23,877
Flue-cured	454,693	298,264	62,301	51,691	172,341	109,411	344,653	240,544
Other	73,653	38,143	19,347	10,003	16,489	7,902	76,511	40,244
Total	609,523	387,851	90,643	70,186	249,087	153,372	451,079	304,665

Table 6

DISPOSITIONS OF CCC INVENTORIES ACQUIRED UNDER
PRICE-SUPPORT PROGRAMS DURING THE YEAR ENDING JUNE 30, 1962

DISPOSITION METHOD	DISPOSITIONS	PERCENT OF TOTAL DISPOSITIONS <u>1/2/</u>
(Cost Value in 1,000 Dollars)		
Sales for dollars		
Domestic	662,580	20
Export	65,140	<u>2</u>
Total	<u>727,720</u>	<u>22</u>
Public Law 480		
Title I	2,295	- <u>3/</u>
Barter	219,794	7
Payment-in-Kind		
(a) Emergency feed grain program	1,081,175	34
(b) P.I.K. Export	<u>366,772</u> <u>4/</u>	<u>11</u>
Total	<u>1,447,947</u>	<u>45</u>
Transfers		
Domestic	247,727	8
Export	3,278	- <u>3/</u>
Donations		
Domestic	245,556	8
Export, including Title II of Public Law 480	<u>332,691</u>	<u>10</u>
Total	<u>829,252</u>	<u>26</u>
 TOTAL	 3,227,008	 100

1/ Fiscal year 1962

2/ Rounded to nearest percent

3/ Less than five tenths of one percent

4/ Includes \$216,530 which are charged to
Title I P. L. 480 in the Report of
Financial Conditions and Operations of CCC.

2. PAYMENT-IN-KIND PROGRAMS

(a) Emergency Feed Grain Program:

Sales of feed grains under this program accounted for 34% of total CCC sales and dispositions during Fiscal Year 1962. (See Table 6) This program was designed to cut back production of feed grains (thereby reducing CCC costs and costs to the taxpayer) but at the same time also assure feed grain producers improved farm income. The program provides for the voluntary reduction of feed grains acreage from the 1959-60 base. Farmers who make the reductions will receive payments for diverting the acreage to conservation uses and will also qualify for price support. Non-cooperators will not be eligible for price support. Cooperators who make the necessary acreage reductions may be issued certificates which may be redeemed in feed grains or the cooperators may designate CCC as their agent to market their certificates. Through sale of certificate rights CCC recovers the money paid to producers. Redemptions of certificate rights are made at market prices and are not subject to Section 407 of the Agricultural Act of 1949 which requires that CCC not sell for unrestricted use any basic agricultural commodity or storable non-basic commodity at less than five percent above the current support price plus reasonable carrying charges.

(b) Export Payment-in-Kind Programs:

Dispositions under these programs accounted for 11% of the total CCC sales and dispositions during Fiscal Year 1962. (See Table 6) This is about one half as much as last year. The reduction results from the fact that U. S. feed grains were much more competitive in world markets and required little or no export payment allowances. The reduction of certificate redemptions was applicable to all payment-in-kind commodities. Quantities of commodities from commercial stocks earning payment-in-kind certificates and quantities of commodities redeemed from CCC stocks since inauguration of the payment-in-kind programs through June 30, 1962 are shown in Table 7.

TABLE 7

(Data in this table based on operating records)

Commodity	: Beginning Date	:	:Quantities from	: Quantities
	: of Payment-in-	:	:Commercial Stocks:	Redeemed
	: Kind Program	: Unit	: Earning PIK	: from
	:	:	: Certificates	: CCC Stocks
----- (In thousands) -----				
Wheat	Sept. 4, 1956	Bu.	2,393,048	616,158
Corn	May 12, 1958	Bu.	463,280	98,738
Barley	July 1, 1958	Bu.	242,374	39,718
Oats	July 1, 1958	Bu.	71,414	7,453
Grain Sorghums	July 1, 1958	Bu.	271,835	39,177
Rye	July 1, 1958	Bu.	16,946	6,980
Rice	Dec. 15, 1958	Cwt.	56,944	5,883
Cotton	May 29, 1958	Bales	18,805 <u>a/</u>	4,559
Nonfat Dry Milk	March 6, 1962	Lbs.	0	0

^{a/} Includes undetermined but substantial quantity purchased from CCC for unrestricted use.

3. BARTER

Barter transactions accounted for approximately seven percent of CCC dispositions during Fiscal Year 1962 although the total amount of barter was 13% less than last year's total. (See Table 6)

Changes in the barter program as the result of Presidential approval of recommendations resulting from a study of the overall stockpiling program have recently been announced. It is anticipated that emphasis will be shifted from the acquisition of strategic and critical materials to procurements for other Government agencies. To a greater extent than before, strategic material barterers will support such national objectives as helping to assist less developed countries.

In spite of the overall reduction of barter dispositions, more corn, wheat and grain sorghums were bartered this year than in the previous year.

4. SALES FOR FOREIGN CURRENCIES

Title I sales are largely from privately-owned stocks and thus represented a negligible percent of CCC's total dispositions. The quantities and values shown under the Title I column in Table 4 actually represent amounts of commodities redeemed by certificates earned under payment-in-kind programs except where the commodity is not subject to a payment-in-kind program.

5. TRANSFERS AND DONATIONS

Transfers from CCC inventories to other U. S. government agencies and donations of surplus commodities for domestic and foreign use accounted for approximately one fourth of all CCC sales and dispositions. Although transfers were below those of the previous year, domestic donations more than doubled.

PART II

THE METHODS OF DISPOSITION TO BE UTILIZED AND THE ESTIMATED QUANTITIES THAT CAN BE SOLD OR DISPOSED OF DURING THE SUCCEEDING TWELVE MONTHS

The methods of sales and dispositions to be utilized and the estimated quantities that can be moved during the succeeding 12 months in 1962-63 are given in tables on pages 20 through 46 . These tables also reflect the estimated inventories as of June 30, 1963.

During the period July 1, 1961 through June 30, 1962 activity under Title IV, P. L. 480 was increased. Under this authority during Fiscal Year 1962 the United States signed seven agreements with six foreign countries. The first of these agreements called for approximately two million dollars worth of wheat for El Salvador. Subsequent agreements involved Venezuela, Portugal, Peru, Liberia and Yugoslavia.

The initial Title IV agreement with Venezuela was later voided at that government's request but its principal provisions were added by amendment to a second Title IV agreement with the same country.

The remaining eight agreements provide for dollar credit sales of U. S. agricultural commodities with a total estimated export market value of approximately \$57 million, including about \$4 million estimated ocean transportation costs which may be financed by CCC. The commodity composition of existing Title IV agreements and amendments is shown on a dollar value basis in table 8 and on a quantity basis in table 9.

All of the Title IV agreements signed thus far involve an expansion or maintenance of U. S. dollar markets, while giving assistance to the economic development of the recipient country.

In the case of El Salvador the Title IV program was directed at assisting that country to maintain the U. S. historic share of its dollar wheat imports. A relatively short (5 years) credit period was extended in this case. The Title IV program was offered in lieu of a Title I program requested by the Government of El Salvador which was experiencing temporary balance of payments difficulties. In addition to providing this general financial assistance on a dollar basis, the use of this credit to provide funds for the Government of El Salvador to undertake a supervised agricultural credit program including expansion of livestock production is expected to lead to expansion of U. S. feed grain markets as well as dollar export of breeding stock in connection with expansion of livestock production.

Under a three year agreement with Liberia totaling \$8.6 million, the U.S. will supply commodities and credit to assist Liberia in developing poultry and livestock production in order to provide the increased protein meat food supplies essential to sustain an effective working force increasingly engaged in industrial activities. In addition to rice and wheat flour or bulgur wheat, the agreement includes mixed animal feeds needed for expansion of the poultry and livestock

industry. The mixed feeds supply commitment under this agreement assures Liberia of the continuing availability of appropriate feed materials which are prerequisite to the successful development of poultry and livestock enterprises in that country. The credit will be used to finance port facilities for grain storage and handling, feed mixing facilities, and working capital necessary for Liberian agricultural producers and the private trade to expand poultry and livestock production. This in turn is expected to lead to an expansion of U. S. commercial feed grain exports. In addition, the Title IV sales agreement assures that the United States will maintain its historic cash dollar rice, wheat flour and mixed feed markets.

Table 8 Value of commodities programmed under Title IV, Public Law 480 agreements signed July 1, 1961, through June 30, 1962.

Country	Estimated Export Market Value						Ocean Transportation 3/	Market Value including 0/T1		
	Wheat 1/	Feed grains	Rice	Cotton	Dairy Products	Fats, Oils, 2/			Other	Total
						(Millions of dollars)				
El Salvador	1.8	---	---	---	---	---	---	1.8	0.2	2.0
Liberia	0.6	0.8	6.4	---	---	---	---	7.8	0.8	8.6
Peru	---	---	---	---	---	1.8	---	1.8	0.2	2.0
Portugal	11.1	0.8	---	---	---	---	---	11.9	1.3	13.2
Venezuela 4/	5/	5.8	5/	2.7	5/	5/	5/	13.1	0.8	13.9
Yugoslavia	---	---	---	14.0	---	2.5	---	16.5	0.8	17.3
Total 6/	13.5	7.4	6.4	16.7	---	4.3	---	52.9	4.1	57.0

1/ Includes wheat flour and/or bulgur wheat.

2/ Includes oilseeds and products.

3/ Includes only that 50 percent of ocean transportation cost to be financed by CCC for the foreign government.

4/ Excludes voided agreement of 11-11-62

5/ Amendment of 6-18-62 to Venezuelan agreement of 5-17-62 provides for increasing total value including ocean transportation by any amount up to 5 million dollars, which may be applied in any proportion to the following commodities: Grain and grain products, dairy products, fats and oils, dry edible beans and peas, livestock products and fruits and vegetables.

6/ Not necessarily complete ; see footnote 5.

Table 9 Approximate quantities of commodities under Title IV, Public Law 480 agreements signed July 1, 1961, through June 30, 1962.

Country	Wheat and Flour 1,000 bushels	Feed grains 1,000 bushels	Rice 1,000 cwt	Cotton 1,000 bales	Dairy Products 1,000 pounds	Fats and Oils 1,000 pounds	Dry Edible Beans 1,000 cwt	Fruits and Vegetables 1,000 pounds	Livestock Products 1,000 pounds
El Salvador	919	---	---	---	---	---	---	---	---
Liberia	220	354	992	---	---	---	---	---	---
Peru	---	---	---	---	---	13,228	---	---	---
Portugal	6,430	689	---	---	---	---	---	---	---
Venezuela 1/	---	4,724	143 2/3/	18	2,425 2/	4,409 2/	22 2/	7,716 2/	1,543 2/
Yugoslavia	---	---	---	100	---	66,138	---	---	---
Total 4/	7,569	5,767 5/	1,135	118	2,425	83,775 6/	22	7,716	1,543

1/ Excludes voided 11-11-61 agreement. Includes amendment of 6-18-62.

2/ Under amendment of 6-18-62, may be expanded substantially.

3/ Designated as grain and grain products in amendment of 6-18-62.

4/ Not necessarily complete for all commodities; see footnote 2.

5/ Thousand Bushels
 Barley 689
 Corn 4,724
 Mixed Livestock feed 354
 5,767

6/ Entirely oilseeds and oilseed products.

EXPLANATION OF COMMODITY TABLES

Line 1 of each commodity table shows the CCC inventory for that commodity as of June 30, 1962.

Line 2 gives the estimated amount of the commodity which will come into CCC inventory between July 1, 1962 and June 30, 1963.

Line 3 is the sum of lines 1 and 2 and shows the total CCC supplies expected to be available for sale or other disposition during the year-July 1, 1962 through June 30, 1963.

The estimated sales and dispositions through the various methods described in Part I and Appendix I for the Fiscal Year 1963 are given in lines under item 4. A word of explanation is offered concerning dollar sales (line 4 A) and payment-in-kind dispositions. Dollar sales estimates, whether export or domestic, are limited to sales from CCC stocks. Quantities shown for payment-in-kind dispositions likewise come from CCC stocks, but they represent the estimated value of redeemed certificates which will be earned on the export of commodities primarily from commercial rather than from CCC stocks.

Although the tables show sales under Title I these sales are really payment-in-kind dispositions as far as PIK commodities are concerned. They are listed under Title I for reimbursement purposes.

Dispositions under item 4 are all made from CCC stocks.

Line 5 shows the estimated remaining CCC inventory as of June 30, 1963.

The United States Code citations for the various legal authorities briefly cited in these tables are as follows:

P. L. 480, Title I	7 U. S. C. 1701-1709
P. L. 480, Title II	7 U. S. C. 1721-1724
P. L. 480, Title IV	7 U. S. C. 1731-1736
Section 407	7 U. S. C. 1427
Section 416	7 U. S. C. 1431
Section 202	7 U. S. C. 1446a
Section 402	22 U. S. C. 1922
Section 32	7 U. S. C. 612c

COTTON

(Bales)

	Upland	Extra Long Staple
1. CCC Inventory 6/30/62	1,448,594	14,177
2. Takeover 7/1/62 - 6/30/63	3,200,000	1,789
3. Total available for sale or other disposition during F.Y. 1963 (line 1 plus line 2)	4,648,594	15,966
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63		
A. Dollar Sales		
1. Unrestricted use (both export and domestic)	198,585	9,966
B. Payment-in-Kind - Domestic	-	-
C. P. L. 480 Title 1	-	-
D. Barter	100,000	-
E. Total Dispositions	298,585	9,966
5. Estimated CCC Inventory 6/30/63	4,350,009	6,000

WHEAT

	(Bushels)
1. CCC Inventory 6/30/62	1,096,620,050
2. Takeover 7/1/62 - 6/30/63	170,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	1,266,620,050
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	3,000,000
2. Domestic	31,447,050
B. Payment-in-Kind	
1. Domestic	
2. Export	3,540,000
C. P. L. 480 Title 1	70,000,000
D. P. L. 480 Title 11	12,050,000
E. P. L. 480 Title 1V	5,500,000
F. Barter	35,000,000
G. Other (IWA)	39,700,000
H. Donations	
1. Export - Sec. 416	1,333,000
2. Other (Research)	50,000
I. Total Dispositions	201,620,050
5. Estimated CCC Inventory 6/30/63	1,065,000,000

WHEAT FLOUR

	(Pounds)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	2,250,000,000
Total available for sale or other	
3. disposition during F. Y. 1963 (line 1 plus line 2)	2,250,000,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	-
1. Title I	-
2. Title II.	423,000,000
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export Sec. 402 (ICA)	-
2. Domestic Sec. 32	-
E. Donations	
1. Export Sec. 416	1,250,000,000
2. Domestic Sec. 416	577,000,000
F. Emergency Feed	-
G. Total Dispositions	2,250,000,000
5. Estimated CCC Inventory 6/30/63	-

ROLLED WHEAT

	(Pounds)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	116,000,000
Total available for sale or other	
3. disposition during F. Y. 1963 (line 1 plus line 2)	116,000,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export Sec. 402 (ICA)	-
2. Domestic Sec. 32	-
E. Donations	
1. Export Sec. 416	12,000,000
2. Domestic Sec. 416	104,000,000
F. Emergency Feed	-
G. Total Dispositions	116,000,000
5. Estimated CCC Inventory 6/30/63	-

BULGUR

	(Pounds)
1. CCC Inventory 6/30/62	2,255,300
2. Takeover 7/1/62 - 6/30/63	265,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	267,255,300
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	15,000,000
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export Sec. 402 (ICA)	-
2. Domestic Sec. 32	-
E. Donations	
1. Export Sec. 416	252,255,300
2. Domestic	-
F. Emergency Feed	-
G. Total Dispositions	267,255,300
5. Estimated CCC Inventory 6/30/63	-

CORN

	(Bushels)
1. CCC Inventory 6/30/62	658,805,193
2. Takeover 7/1/62 - 6/30/63	611,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	1,269,805,193
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	15,000,000
2. Domestic	136,878,055
B. Payment-in-Kind	
1. Domestic (Special Feed Grain Program)	700,000,000
2. Export	17,230,000
C. P. L. 480 Title I	9,000,000
D. P. L. 480 Title II	5,200,000
E. P. L. 480 Title IV	5,000,000
F. Barter	30,000,000
G. Other (Wildlife Feed)	97,138
H. Donations	
1. Export -Sec. 416	1,200,000
2. Domestic	200,000
I. Total Dispositions	919,805,193
5. Estimated CCC Inventory 6/30/63	350,000,000

CORNMEAL

	(Pounds)
1. CCC Inventory 6/30/62	1,079,300
2. Takeover 7/1/62 - 6/30/63	667,000,000
3. Total available for sale or other disposition during F.Y. 1963 (line 1 plus line 2)	668,079,300
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	25,000,000
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export Sec 402 (ICA)	-
2. Domestic Sec. 32	-
E. Donations	
1. Export Sec. 416	405,079,300
2. Domestic Sec. 416	238,000,000
F. Emergency Feed	-
G. Total Dispositions	668,079,300
5. Estimated CCC Inventory 6/30/63	-

GRAIN SORGHUMS

	(Bushels)
1. CCC Inventory 6/30/62	687,100,769
2. Takeover 7/1/62 - 6/30/63	190,000,000
Total available for sale or other	
3. disposition during F. Y. 1963 (line 1 plus line 2)	877,100,769
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	1,000,000
2. Domestic	21,600,769
B. Payment-in-Kind	
1. Domestic (Special Feed Grain Program)	162,000,000
2. Export	8,900,000
C. P. L. 480 Title I	1,000,000
D. P. L. 480 Title II	2,000,000
E. P. L. 480 Title IV	100,000
F. Barter	8,000,000
G. Donations - Domestic 407	500,000
H. Total Dispositions	205,100,769
5. Estimated CCC Inventory 6/30/63	672,000,000

BARLEY

	(Bushels)
1. CCC Inventory 6/30/62	34,091,942
2. Takeover 7/1/62 - 6/30/63	15,500,000
Total available for sale or other disposition	
3. during F. Y. 1963 (line 1 plus line 2)	49,591,942
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	6,091,942
B. Payment-in-Kind	
1. Exports	2,600,000
2. Domestic (Special Feed Grain Program)	5,500,000
C. P. L. 480 Title I	1,500,000
D. P. L. 480 Title II	900,000
E. P. L. 480 Title IV	-
F. Barter	3,000,000
G. Total Dispositions	19,591,942
5. Estimated CCC Inventory 6/30/63	30,000,000

OATS

	(Bushels)
1. CCC Inventory 6/30/62	16,744,113
2. Takeover 7/1/62 - 6/30/63	6,550,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	23,294,113
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	
2. Domestic	6,000,000
B. Payment-in-Kind -Domestic (Special Feed Grain Program)	2,294,113
C. Total Dispositions	8,294,113
5. Estimated CCC Inventory 6/30/63	15,000,000

RYE

	(Bushels)
1. CCC Inventory 6/30/62	2,617,323
2. Takeover 7/1/62 - 6/30/63	8,100,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	10,717,323
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	1,717,323
B. Barter	1,000,000
C. Total Dispositions	2,717,323
5. Estimated CCC Inventory 6/30/63	8,000,000

RICE

(Hundredweight)

	ROUGH	MILLED
1. CCC Inventory 6/30/62	135,241	179,085
2. Takeover 7/1/62 - 6/30/63	4,000,000	1,821,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	4,135,241	2,000,085
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63		
A. Dollar Sales		
1. Export	-	-
2. Domestic	635,241	-
B. Payment-in-Kind		
1. Commercial Exports	-	-
C. P. L. 480 Title I	-	-
D. P. L. 480 Title II	-	210,000
E. Barter	-	-
F. Donations		
1. Export	-	-
2. Domestic - Sec. 416	-	1,790,085
G. Total Dispositions	635,241	2,000,085
5. Estimated CCC Inventory 6/30/63	3,500,000	-

DRY EDIBLE BEANS

	(Hundredweight)
1. CCC Inventory 6/30/62	2,630,602
2. Takeover 7/1/62 - 6/30/63	3,040,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	5,670,602
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	266,000
2. Domestic	100,602
B. P. L. 480 Title I	80,000
C. P. L. 480 Title II	300,000
D. P. L. 480 Title IV	100,000
E. Donations	
1. Export - Sec. 416	500,000
2. Domestic - Sec. 416	1,600,000
F. Total Dispositions	2,946,602
5. Estimated CCC Inventory 6/30/63	2,724,000

SOYBEANS

	(Bushels)
1. CCC Inventory 6/30/62	51,631,136
2. Takeover 7/1/62 - 6/30/63	59,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	110,631,136
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	24,631,136
B. Barter	1,000,000
C. Total Dispositions	25,631,136
5. Estimated CCC Inventory 6/30/63	85,000,000

FLAXSEED

	(Bushels)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	500,500
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	500,500
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	400,500
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export -Sec 402 (ICA)	-
2. Domestic -Sec. 32	-
E. Donations	
1. Export P. L.	-
2. Domestic	-
F. Emergency Feed	-
G. Total Dispositions	400,500
5. Estimated CCC Inventory 6/30/63	100,000

VEGETABLE OIL PRODUCTS

	(Pounds)
1. CCC Inventory 6/30/62	93,771,539
2. Takeover 7/1/62 - 6/30/63	166,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	259,771,539
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	45,000,000
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export -Sec. 402 (ICA)	-
2. Domestic - Sec. 32	-
E. Donations	
1. Export -Sec. 308 (Oils)	177,771,539
2. Domestic - Sec. 416	28,000,000
F. Emergency Feed	-
G. Total Dispositions	250,771,539
5. Estimated CCC Inventory 6/30/63	9,000,000

COTTONSEED OIL, CRUDE

	(Pounds)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	350,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	350,000,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	178,000,000
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export - Sec. 402 (ICA)	-
2. Domestic - Sec. 32	-
E. Donations	
1. Export -Sec 308 (Oils)	22,000,000
2. Domestic	-
F. Emergency Feed	-
G. Total Dispositions	200,000,000
5. Estimated CCC Inventory 6/30/63	150,000,000

PEANUTS 1/

	(Pounds)
1. CCC Inventory 6/30/62	4,430,890
2. Takeover 7/1/62 - 6/30/63	218,978,932
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	223,409,822
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	28,000,000
2. Domestic	167,409,822
B. Transfers	
1. Exports - Sec. 402 (ICA)	-
2. Domestic - Sec. 32	-
C. Processed to Shelled Peanuts	-
D. Total Dispositions	195,409,822
5. Estimated CCC Inventory 6/30/63	28,000,000

1/ Breakdown between Farmer's Stock and Shelled not available. Quantities shown are a combination of the two.

PEANUT BUTTER

	(Pounds)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	45,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	45,000,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export -Sec. 402 (ICA)	-
2. Domestic - Sec. 32	45,000,000
E. Donations	
1. Export P. L.	-
2. Domestic	-
F. Emergency Feed	-
G. Total Dispositions	45,000,000
5. Estimated CCC Inventory 6/30/63	-

BUTTER

	(Pounds)
1. CCC Inventory 6/30/62	401,029,796
2. Takeover 7/1/62 - 6/30/63	435,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	836,029,796
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	6,000,000
2. Domestic	200,000
B. Transfers to Government Agencies	
1. Export	5,000,000
2. Domestic	-
C. Barter	1,000,000
D. P. L. 480 Title I	30,000,000
E. P. L. 480 Title II	3,000,000
F. P. L. 480 Title IV	2,000,000
G. Donations	
1. Export - Sec. 416	100,000,000
2. Domestic - Sec. 202	26,000,000
- Sec. 416	174,729,796
- Other	1,300,000
E. Total Dispositions	349,229,796
5. Estimated CCC Inventory 6/30/63	486,800,000

CHEESE

	(Pounds)
1. CCC Inventory 6/30/62	106,054,876
2. Takeover 7/1/62 - 6/30/63	175,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	281,054,876
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	1,000,000
2. Domestic	200,000
B. Barter	3,000,000
C. Donations	
1. Export	40,000,000
2. Domestic - Sec. 202	2,300,000
- Sec. 416	163,054,876
- Other	1,000,000
D. Total Dispositions	210,554,876
5. Estimated CCC Inventory 6/30/63	70,500,000

NONFAT DRY MILK

	(Pounds)
1. CCC Inventory 6/30/62	626,051,670
2. Takeover 7/1/62 - 6/30/63	1,360,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	1,986,051,670
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	165,000,000
2. Domestic	20,000,000
B. P. L. 480	
1. Title I	40,000,000
2. Title II	60,000,000
3. Title IV	15,000,000
C. Barter	25,000,000
D. Donations	
1. Export - Sec. 416	600,000,000
2. Domestic - Sec. 416	245,051,670
3. Other	-
E. Total Dispositions	1,170,051,670
5. Estimated CCC Inventory 6/30/63	816,000,000

MILK, FLUID

	(Pounds)
1. CCC Inventory 6/30/62	-
2.. Takeover 7/1/62 - 6/30/63	600,000,000
3. Total available for sale or other dispositions during F. Y. 1963 (line 1 plus line 2)	600,000,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export -Sec. 402 (ICA)	-
2. Domestic -Sec. 32	-
E. Donations	
1. Export P. L.	
2. Domestic- Sec. 202	600,000,000
F. Emergency Feed	-
G. Total Dispositions	600,000,000
5. Estimated CCC Inventory 6/30/63	-

HONEY

	(Pounds)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	4,140,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	4,140,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Transfer to Government Agencies	
1. Export	-
2. Domestic -Including Sec. 32	1,140,000
B. Total Dispositions	1,140,000
5. Estimated CCC Inventory 6/30/63	3,000,000

ROSIN

	(Drums)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	60,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	60,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	-
D. Transfers	
1. Export -Sec. 402 (ICA)	-
2. Domestic - Sec. 32	-
E. Donations	
1. Export P. L.	-
2. Domestic	-
F. Emergency Feed	-
G. Total Dispositions	-
5. Estimated CCC Inventory 6/30/63	60,000

TURPENTINE

	(Gallons)
1. CCC Inventory 6/30/62	1,729,744
2. Takeover 7/1/62 - 6/30/63	-
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	1,729,744
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	329,744
B. Total Dispositions	329,744
5. Estimated CCC Inventory 6/30/63	1,400,000

TOBACCO

	(Pounds)
1. CCC Inventory 6/30/62	-
2. Takeover 7/1/62 - 6/30/63	70,000,000
3. Total available for sale or other disposition during F. Y. 1963 (line 1 plus line 2)	70,000,000
4. Estimated Dispositions from CCC Inventory 7/1/62 - 6/30/63	
A. Dollar Sales	
1. Export	-
2. Domestic	-
B. P. L. 480	
1. Title I	-
2. Title II	-
3. Title IV	-
C. Barter	70,000,000
D. Transfers	
1. Export - Sec. 402 (ICA)	-
2. Domestic - Sec. 32	-
E. Donations	
1. Export P. L.	-
2. Domestic	-
F. Emergency Feed	-
G. Total Dispositions	70,000,000
5. Estimated CCC Inventory 6/30/63	-

PART III

A DETAILED PROGRAM FOR THE EXPANSION OF MARKETS FOR SURPLUS AGRICULTURAL COMMODITIES THROUGH MARKETING AND UTILIZATION RESEARCH AND IMPROVEMENT OF MARKETING FACILITIES

This part of the report discusses some recent developments in research that may be of special interest to the Congress.

UTILIZATION RESEARCH AND DEVELOPMENT

The Utilization Research and Development program of the Agricultural Research Service in USDA seeks, through chemical, biological, physical and engineering research, to develop new, economical products and processes utilizing farm commodities, with special emphasis upon those in surplus. New and improved food, feed, and industrial uses are sought that broaden existing markets and create new outlets. These investigations primarily are conducted in four regional and ten field domestic laboratories. Research also is done through contracts and cooperative agreements with laboratories of State Experiment Stations, universities, and industry. Other supporting research is accomplished in laboratories of fourteen countries in Europe, Asia and South America through funds generated by the P. L. 480 program.

Principal areas of the ARS Utilization Research and Development program, including both basic and applied investigations, are as follows:

A. Cereal Grains and Forages

Major part of the research effort is devoted to corn and wheat, plus continuing investigations on rice, barley, oats, sorghum, and alfalfa and other forages.

Development of processes for chemically modifying starches, flours, and whole-grain cereals to make "cereal pulp" for use in paper products.

Development of new and improved starch derivatives for use in water-resistant adhesives and coatings, foamed products, and high-wet-strength papers.

Ascertaining economic uses for high amylose starch chemicals and intermediates as textile sizings, protective films, fibers, and paper additives.

Development of commercial uses for dialdehyde starch derivatives, particularly leather tanning and paper making.

Finding new food and industrial uses for wheat gluten.

Development of biological pesticides including insecticides for Japanese beetles, insect attractants, and plant antibiotics.

Development of new cereal products suitable for civilian emergency uses.

Development of new and improved rice processing techniques and rice food products.

Upgrading of processed cereal grain feeds based upon comprehensive characterization and chemical modification of constituents.

Development of new and improved feed products, such as forage juice concentrates and air-classified products, and studies of biologically-active constituents of forage products.

B. Cotton and Wool

Chemical, physical, and mechanical processing research on cotton and wool, and supporting fundamental and exploratory studies of their fiber properties and their modification.

Fundamental and applied studies to improve wash-wear cotton fibers and fabrics.

Development of stretch and bulky cotton products and processes.

Development of expanded uses for flame-retardant cotton products.

Chemical modification of cotton to simultaneously impart durable water and oil repellency.

Development of commercially feasible weather-and rot-resistance finishes for cotton.

Commercial adaption of easy-care wool processes (non-shrinking, permanent creases, etc.)

Development of new types of yarns and fabrics through physical and chemical modification of the coarser grades of domestic wools.

Commercial adaption of the UR process for producing hard felts.

Chemical modification of wool to improve resistance to acids and alkalis and to minimize carbonizing, bleaching, heat, and light damage.

C. Fruits, Nuts, and Vegetables

Research to develop fruit, nut, and vegetable products that are attractive, economical, nutritive and meet the increasing demand for

convenience-in-use, and to develop processes and equipment for manufacture of these products.

Development of foam-mat drying techniques for dehydrating fruit and vegetable juices, sauces, purees, and other products.

Development of improved dehydration techniques, including dry-blanch-dry processes, for producing better quality dried fruit and vegetable products, particularly with superior reconstitution properties and retention of original flavor and color properties.

Improved processes for freezing, dehydrofreezing, and dehydrocanning of fruit and vegetable products.

Commercial adaptation of the UR process for producing dehydrated sweetpotato flakes.

New processes for stabilizing shelled nuts against darkening, off-flavor formation, and other deleterious changes.

Studies to determine the processing qualities of new varieties of fruits, berries, and vegetables.

Process development to give date products of softer texture and improved flavor, to stabilize raisins for use in cereals, and to produce fruit and vegetable products with greater convenience-in-use properties.

D. Oilseeds

Research primarily on soybean, cottonseed, and linseed oils, meals, and related products; investigations also include castor, tung, and selected oilseeds resulting from the new crops screening program. Research stresses new and broadened industrial uses, and seeks to improve food and feed uses.

Process research, stressing flavor stabilization through selective hydrogenation, to improve soybean oil for edible purposes, and development of aldehyde acids and other derivatives for industrial utilization of soybean oils.

Development of feed, food, and industrial uses for soybean meal and protein.

Development of new industrial chemical derivatives from cottonseed oil, and devising processes to improve color of cottonseed oil.

Process and product development utilizing chemically modified mono-glycerides from vegetable oils, especially from cottonseed.

Development of economic methods for prevention of after-yellowing of linseed oil paints, for production of vinyl ether coatings from

linseed oil, and for making emulsion paints for exterior use from linseed oil derivatives.

Development of industrial chemical derivatives, urethane foams, and animal feed meals from castorseed, plus basic studies for removal of allergenic constituents.

E. New and Special Plants

Investigations directed to develop compositional data on plants from worldwide sources in an effort to find alternate crops to fill needs not now met by domestic sources, and to develop new and more economic uses for domestic special plants.

Research on industrial utilization of new oilseeds, particularly on the processing of erucic, epoxy, petroselenic, and hydroxy-conjugated dienoic acid oils, and the development of chemical derivatives from these sources.

Research on new gum and pulping fiber plants, especially those containing mucilaginous materials and those suitable for use in paper, structural, and related products.

Chemical composition studies of tobacco and tobacco smoke to assist industry in its search for desired qualities in tobacco products.

Improvement of techniques for the processing of sugarcane, sugarbeet, and maple sap, and development of new uses for honey.

Development of new industrial chemicals from pine gum, turpentine, and rosin.

F. Poultry, Dairy, and Animal Products

Development of better food products from milk, poultry eggs, and meat, and development of new industrial outlets for fats, hides, and other animal byproducts.

Improvement of meat and poultry products and of processing methods including studies of flavor, tenderness, microbiological activity, and time-temperature-tolerance stability.

Research on milk products including studies of flavor stability, fermentative processes, milk allergens, concentrated and dried milk products, removal of radionuclides, and cheese-making technology.

Development of new uses for animal fats in improved polymers, plastics and resins, in new types of lubricants, in specialty synthetic detergents, and as industrial chemical intermediates.

Research to increase use of animal hides stresses development of new techniques for unhairing, new processes for imparting improved resistance of leather to deterioration by heat and perspiration, and new and improved tanning procedures.

Investigations to increase usefulness of dried egg products in dry mixes and other convenience foods; to make readily dispersible egg solids; to devise better methods for control of Salmonella in egg products.

EXAMPLES OF RECENT UTILIZATION RESEARCH ACCOMPLISHMENTS

A. Wheat, Corn, and Other Cereal Grains

Starches, flours, and whole-grain mixtures from cereal grains (corn, wheat, sorghums, etc.) have been converted into water-soluble chemical derivatives that can be added to slurries of paper pulp which after a simple chemical treatment are precipitated on the pulp fibers to become part of the paper sheet. Chemicals used to make the cereal product cost only three to five cents per pound. Experimental papers have been made containing as high as 45 percent of cereal products, and had higher dry and wet tensile strengths than all-wood pulp papers. If initial findings are borne out in larger scale tests, it is expected that the cereal product might replace 10 percent of the long fiber pulp now used in newsprint; 3 percent of the coating adhesives used in coated paper; 20 percent of the pulp used in making coarse paper; and 10 percent of the pulp used in making building and insulation board. These conservative estimates would require the use of 100-180 million bushels of grain for applications not using cereal products today.

The ARS process developed for producing a water-soluble gum by bacterial fermentation of corn sugar is being adapted to commercial use by several manufacturers. The gum, called polysaccharide B-1459, dissolves in water to give clear, viscous solutions. These solutions have viscosities uniquely stable to heat, acids, alkalis, inorganic salts, and aging. The manufacturers foresee applications for the gum in adhesives, agricultural sprays, emulsions, oil-well drilling and flooding agents, paper and textile sizes and coatings, latex paints, leather pasting and finishing compositions, and preparations for use in the ceramics industry. The current market in the United States for water-soluble gums, which are almost entirely imported, amounts to 40 million pounds annually.

B. Wool

The new interfacial polymerization (IFP) treatment that gives wool fabrics markedly improved performance characteristics -- including greater shrink-muss and pill-resistance and increased wearability -- is being rapidly adapted to commercially feasible processes. Announcement of this new IFP process, although less than two years ago, has resulted in the immediate initiation of intensive mill development studies by several of the country's largest wool mills, assisted by Department scientists and technologists.

These cooperative studies are aimed at adapting the process to a continuous, high-speed treatment, under the particular conditions existing in the various plants. Many industry processors have expressed the opinion that the IFP treatment is superior to all existing commercial shrink-resist treatments.

C. Cotton

A new lint cotton cleaning device, called the SRRL Aerodynamic Cleaner, has been developed by the Department to help the textile industry efficiently process cotton that has been harvested mechanically or by hand snapping. The cleaner is designed specifically to remove from cotton the motes and fine leaf (pepper) trash that are currently plaguing the cotton industry, and is used in combination with either of two lint cotton opening machines known as the SRRL Opener and the SRRL Opener-Cleaner. Reports from the textile industry indicate that the device is doing an excellent job of removing pepper trash (a material which conventional cleaning equipment has not been able to adequately remove). This will aid industry in producing higher quality cotton products.

A practical, low-cost treatment, developed for making cotton fabrics exposed to mildew, rot, and weathering last much longer, offers promise of maintaining a market of approximately 230,000 bales of cotton a year in canvas goods products such as awnings, tarpaulin, tentage, field coverings, beach umbrellas, ditch liners, and irrigation pipes. The treatment uses a chemical called "acid colloid of methylolmelamine," and can be applied with equipment already available in a great many textile finishing plants.

D. Dairy Products

Cottage cheese whey, which had hitherto not been dried, now can be successfully dried by a new ARS method of foam-spray drying. At present, three billion pounds of cottage cheese whey produced annually and containing half the solids of milk are wasted into sewers and streams. With the development of stream pollution control and urban charges for sewer use, cottage cheese plants are faced with heavy disposal expense and even forced closing. Following publication of the new method, inquiries were received from virtually every large dairy company and dairy equipment manufacturer in the United States. It is anticipated that the method will find wide commercial adoption. Its use may avoid the closing of factories and it will provide a new dairy ingredient for food manufacturers.

E. Linseed Oil

Stable linseed oil-water emulsion paints have been prepared that dry-to-touch, develop excellent water resistance, and can be recoated within 15 to 30 minutes after application. The paints can be thinned with water, and water can be used for brush clean-up. Samples evaluated by cooperating industrial companies compared favorably with commercially available synthetic resin emulsion paints in brushing, wet-edge, hiding, drying, and other essential properties. They were superior to many of the commercial synthetic resin

paints in leveling, blister resistance, and adherence to chalky weather surfaces. New nonionic emulsifiers of several types have been prepared from linseed oil which are particularly useful in the linseed oil-water emulsion paints. Commercialization of the new linseed oil products has been announced by at least two national manufacturers.

EXPANDING DOMESTIC MARKETS

Marketing economics research to expand domestic outlets for farm products in 1961-62 was carried forward at about the same level as in the preceding year.

A. NEW PRODUCTS AND NEW USES

Market potentials research on fiber, other industrial feed and food uses continues to be vital in achieving commercialization of new products and new uses and makes for more effective developmental research by the Department's laboratories by providing guides based on increased knowledge of market needs and requirements.

Past research has resulted in the commercialization of such new products as potato flakes, redi-wheat (bulgur) and new apple products with attendant economic growth benefits of millions of dollars in the form of new plant investments, creation of new jobs and increases in consumption.

Current research is under way on a number of important lines of work in food and industrial uses that will provide the economic analyses required to assist in expanding markets for cotton, milk, cereal grains, eggs, fats and oils and products of new crops.

Synthetic fiber producers have captured a significant share of textile markets by offering products with a large amount of innate stretch and resiliency. Cotton textiles, until recently, have lacked in this capability. The Department's laboratory research has developed a series of cotton textile construction and treatments that impart these properties to cotton fabrics. Market potentials research is being undertaken to appraise the commercial possibilities for stretch cotton and to guide product and market development to the best opportunities for gaining expanded outlets for cotton through the new uses made possible by this technological development.

The sharp drop in per capita consumption of milk has intensified the search for new products which can provide a stimulant to expanded usage. Dried whole milk presently in laboratory development will be evaluated through product testing to discover uses with the greatest potential as well as to provide guidelines for further technical improvements. Research findings show that modified fat (two percent) milk is now being sold in 71 market areas. The product is being studied further with respect to market penetration, acceptance, and impact on total milk consumption. Since in many instances two percent milk is fortified by the addition of non-fat solids, this product could be a vehicle for increased utilization of significant quantities of surplus nonfat milk solids.

Research indicates that unextracted soybean meal, a means of utilizing the whole bean, may offer an alternate outlet for soybeans and at the same time afford feed manufacturers and livestock feeders who mix their own feeds an opportunity to have larger amounts of fat in their feeds, without requirement of special fat handling equipment. In some areas of the United States,

production of soybeans and consumption of soybean meal are high, but processing facilities are not locally available. Soybeans are shipped out of these areas and meal is shipped back in. Lowered freight costs on this feed ingredient would amount to a substantial saving. For these reasons cooked, unextracted soybeans may find its most attractive economic position in areas away from the main soybean production and processing areas.

Research has answered some basic questions of major importance concerning the costs and benefits of processed food products in general. Preliminary results of a comprehensive study of the comparative costs to consumers of convenience foods and their fresh or home-prepared counterparts indicate that the increased use of laborsaving and timesaving food preparations need not increase the family grocery bill. Of the 158 convenience foods priced in relation to their counterparts 42 were less expensive, but most of these were more important from a cost to consumer viewpoint because of their comparatively large volume. In fact, it was found that for each \$100 spent in grocery stores for food \$14.03 was spent for convenience items. The cost of duplicating convenience foods with fresh or homemade foods in the quantities purchased by household consumers would have been \$15.10 or \$1.07 more than the convenience foods. Such a favorable cost differential for processed foods is due in part to greater efficiencies and economies resulting from processing foods in volume. The savings in the handling, transporting and storage of foods because of reduced perishability and bulk seem to, in many instances, more than offset the added costs of processing. The results of the study are of special significance since it is shown that these foods are not an important factor in the post-war increases in the marketing bill for food.

B. MERCHANDISING AND PROMOTION

Evaluation of the sales effect of various promotional techniques for winter pears revealed that store demonstrations and dealer contests were equally effective as sales stimulants for winter pears as compared to no promotion. Sales increase of 24 and 22 percent respectively were recorded for the two techniques. These increases were accomplished without a significant reduction in sales of other fruits. Two other techniques, tested media advertising at a relatively low level of intensity, and special point-of-purchase displays and were not found to be effective in increasing sales.

Results of the study to determine the merchandising practices employed for dairy products in commercial eating establishments showed that the majority carried milk only as a service to customers. Management did not consider milk to be a source of income in their operations. This view may partially stem from the fact that management consistently under-estimated the gross margin earned per serving on this beverage. Approximately one fourth of those interviewed in Hartford, Connecticut indicated that they participated in special promotional programs (such as June dairy month) for dairy promotion. However, only three percent of those interviewed in

Indianapolis reported participating. Ninety percent of the firms in Hartford and forty percent in Indianapolis report using butter as a spread. The average quantity used for table use in a week was 13 pounds in Hartford and 14 pounds in Indianapolis. As might be expected, the average quantity used per establishment relative to other spreads increased with the annual sales volume. About one half of the respondents interviewed indicated a desire for menu suggestions indicating ways in which dairy products could be incorporated into new dishes.

An evaluation of promotional procedures and practices followed by agricultural commodity groups and private firms served as a basis for recommending ways of improving the conception, planning, implementation, and management of promotional programs for agricultural products. It was found that most organizations studies, while having a broad promotional objective, failed to adopt specific promotional goals or targets. Limited financial resources was a factor that tended to restrict research in planning or evaluating promotion. All respondents placed a great deal of reliance on an advertising agency in developing and planning promotion. While the sales effectiveness of individual promotional programs was not evaluated, application of improved management and control of promotion appears to offer considerable potential in improving promotion efficiency.

The magnitude of promotional effort for food products is evidenced by the fact that retail food supermarkets on a given day use an average of 127 pieces of promotional material to foster sales at the point-of-purchase. Around 75 percent of the material used in food supermarkets promoted food products. Slightly over half of the point-of-purchase material used was originated by the individual store or its management. About 37 percent came from manufacturers or distributors of brand products and about 11 percent from commodity promotion groups. Material supplied by commodity groups had its greatest incidence in the produce department.

A study of consumer acceptance of apples as related to color indicated that retail sales of highly colored (75 to 100 percent good red color) Red Delicious apples were significantly higher than partial red (50 to 75 percent good red color) fruit or apples ranging from 50 to 100 percent good red color when offered at the same retail price. Sales of a combination of highly colored and partial color (50 to 100 percent good red color) were significantly greater than sales of 50 to 75 percent good red color fruit.

C. PUBLIC PROGRAMS

A comprehensive research program is being undertaken to determine the effectiveness of the Pilot Food Stamp Program in expanding agricultural markets and in improving diets of needy families. During 1961 household food consumption surveys involving over 1,400 low-income families were conducted in Detroit, Michigan, and urban and rural portions of Fayette County, Pennsylvania, before and after initiation of the Program. Surveys of retail food store sales were carried out in the eight original pilot areas during the same periods. Supplemental surveys were initiated in October, 1962, in

Choctaw County, Oklahoma to evaluate operations under different regional consumption patterns and lower maximum income standards for participation.

Findings indicate that a very high percentage of the Federal subsidy (bonus coupons) was used in creating a net expansion in the retail food market in Detroit and only slightly less -- over 80 percent -- in rural Fayette County. Recipients of food coupons increased total food consumption (retail value) by 34 percent in Detroit and 9 percent in rural Fayette County -- which had a higher preprogram base. Animal products, fruits and vegetables accounted for more than 80 percent of the gain in both areas. Companion nutritional studies found that the percentage of participating households with diets meeting allowances of 8 nutrients recommended by the National Research Council increased from 29 to 48 percent in Detroit, and 26 to 39 percent in rural Fayette County after the Program was initiated.

Several months after initiation of the Program, retail food store sales in each area were found to be above the preprogram level--averaging about 8 percent. Repeat surveys in two areas conducted about 6 months later showed that gains in retail food sales has held at the 7 to 9 present level.

IMPROVEMENT OF MARKETING FACILITIES

In response to requests for assistance, plans were developed for the improvement of many marketing facilities through which farm and food products move on their path from the farm to the consumer. These facilities ranged from egg assembly plants, poultry processing plants, fruit packing houses and livestock slaughtering facilities to complete wholesale food distribution centers in large cities. In each case where work was done the objectives were to reduce the costs of handling the products, to expand outlets, and to get the commodities to consumers in the best possible condition.

The large cities where most of the work was done during the year were New York City, Boston, Detroit and Pittsburgh, although followup assistance was given in other cities for which studies have been made previously. In New York a 126-acre site for the relocation of the wholesale fruit and vegetable industry was being prepared, and studies were completed and plans presented to the public for new facilities for meat, poultry, eggs, and manufactured dairy products. The total facilities for these products in this one city will occupy nearly 300 acres of land, would cost about \$70,000,000 and should result in annual savings of about \$25,000,000. Altogether plans for nearly one-half billion dollars worth of wholesale food distribution facilities in large cities have been developed by the Department about half of which have been built or are under construction. The cost to the government of its assistance in planning and promoting these markets has been less than one half of one percent of their cost.

Work on improving facilities in producing areas was usually done in cooperation with personnel of the State Extension Services or State departments of agriculture. Plans for building new or remodeling old egg assembly plants and poultry processing plants were developed in 24 localities. Nine localities were helped with livestock and meat facilities, and plans were developed for two fruit and vegetable assembly markets. In addition limited assistance was given in planning eight wholesale grocery houses.

There has been a great increase in requests for aid and advice in improving food marketing facilities because urban renewal projects in large cities are forcing removal of wholesale food markets, rising costs are forcing greater interest in eliminating handling operations and reducing costs of those which cannot be eliminated, and changes in production areas and marketing techniques are making changes necessary in both producing areas and consuming centers. This wave of improvement in marketing facilities, equipment and methods is having a strong effect on marketing costs. The marketing system is doing one third more work now than in 1950 with the same number of man hours. Except for the improvements in labor productivity that have been made since 1950 the Nation's food marketing bill would be nearly eight billion dollars per year more than it is. Large numbers of persons from foreign countries are visiting this country to obtain advice on how to improve their marketing facilities, which should improve the handling of our products in foreign markets.

ECONOMIC RESEARCH AND PROMOTION OF EXPORTS

The Department continued and expanded its various market development programs involving economic research, market promotion in cooperation with U. S. trade groups and participation in international trade fairs and exhibits.

Market development research was expanded in 1962. A contract study on the effectiveness of the P. L. 480 programs in Israel was completed during the year and four new studies have been initiated on the effects of the program in India, Spain, Turkey, and Colombia. The Israel study concluded that the P. L. 480 program contributed significantly to increased employment, wages, national income, increased consumption and had a permanent positive effect on increasing the level of foreign trade. Research projects on the impact of P. L. 480 programs have been developed for implementation during 1962-63 in Greece, Egypt, Yugoslavia, and Brazil.

A special project for the development of a statistical source book on trade, production and consumption in the European Common Market was completed in 1962. Research effort in this area has been broadened to include the impact of the developing regional trade blocs, the inter-relationships of international commodity agreements, and the effects of U. S. export programs on potential markets for U. S. agricultural products. International monetary and financial research also has been broadened to provide up to date analysis as a basis for determining the ability of foreign countries to purchase U. S. farm products with dollars or their eligibility for special U. S. concessional sales under P. L. 480, particularly in regard to the inter-relationships of foreign currency sales under Title I and credit sales for dollars under Title IV. The World Food Budget projections for 1966 were published. This research is being continued in order that greater precision can be obtained in identifying world food deficits and U. S. market potentials. In connection with foreign long range supply and demand studies by country, three studies have been published, three more are completed, and 13 are under way. Research in 13 additional countries is scheduled for improving the data for food balance and for determining the market potentials for U. S. agricultural products in the individual countries.

The Department continued its program of analyzing foreign production, trade, prices, stocks, and market situations for the leading agricultural commodities produced in the world. Foreign commodity competition research was directed to analyses of foreign markets where the competitive aspects of exporting come into sharp focus, as well as to the analyses of competition in principal production areas. The competition studies give particular attention to comparative price, quality, packaging, consumer preference, credit facilities, governmental trade arrangements, and related factors which affect export sales of U. S. agricultural products.

Market promotion in the form of cooperative projects with U. S. trade groups continued to expand. Approximately \$14 million in market development funds were signed up to finance 126 projects to promote U. S. agricultural

commodities overseas. Both figures represent new highs. Virtually all U. S. farm products available for export are now being promoted through this program. Additional U. S. trade groups entered into cooperative partnership with the Foreign Agricultural Service. At the end of the year 50 such groups were actively participating as partners with the Service.

Section 104 (a) of P. L. 480 was amended August 8, 1961 to specify that two percent of the proceeds of sales and loan agreements would be made available for convertibility for market development. This action greatly assisted market development programs in the hard currency markets by facilitating the use of funds generated in soft currency countries to finance projects located in dollar markets.

Authority was requested and granted to lengthen the market development project periods to as long as five years. This action permits more orderly planning, hiring more capable personnel and obtaining larger contributions from cooperating trade groups in other countries.

The program which now includes activities involving over 50 countries reached a degree of maturity that called for increased emphasis on evaluation of policies and procedures followed. This was reflected in assignment of personnel, sponsorship of conferences, and the undertaking of specific plans for evaluation of selected programs by independent experts.

In 1962 Foreign Agricultural Service sponsored four large United States exhibits at organized international food shows in Europe. These exhibits took place in Manchester and London, England; Munich, Germany, and Brussels, Belgium.

In these four exhibits, major emphasis was on the direct retail selling of American food and agricultural products. Foods were furnished by U. S. firms, and their U. K. agents. These foods were sold in the U. S. exhibit "Grocerterias" at the exhibits, and the proceeds, less a small deduction for handling costs, were sent to the suppliers. The U. S. Government did not take title to these groceries.

These four exhibits constituted the first large "test-selling" efforts tried by Foreign Agricultural Service abroad. They are proving conclusively that American Food products are in demand and can be sold at fair prices that include ocean transportation, duty, and normal handling costs. The venture was judged successful. Retail selling will continue at future U. S. exhibits.

Major efforts by the International Trade Fairs Division in the near future will be to plan and organize an independent U. S. food and agricultural exhibit, to be scheduled for late 1963 or early 1964. It will be similar to the U. S. Food Fair 1961, held in Hamburg, Germany, in November of that year. However, it will contain more promotional features and be larger than the Hamburg exhibit. It is expected that this exhibit will be truly a "Food Panorama" for American food and agricultural products.

The food and agricultural promotion program conducted through U. S. Trade Centers is moving ahead. In the London Trade Center, where USDA is represented, two agricultural shows have taken place; a feed grains exhibit in the spring of 1962 and an institutional food catering exhibit in October. Both were heavily attended by the trade. The U. S. Trade Center in Tokyo is now staffed by an agricultural representative. Its formal opening is scheduled for April 1963.

FARMER COOPERATIVES

Farmer Cooperatives continued to develop and expand markets for surplus agricultural commodities, both through aggressive sales activities in foreign countries and through active participation in advertising programs, trade fairs and other promotional events. Efforts of cooperatives to increase agricultural exports were recognized on July 30 when Secretary Freeman presented "Big E" awards to nine business groups. Three of the nine so honored are farmer cooperatives and two others have cooperatives among their supporters.

Cotton marketing cooperatives have become important merchandisers in foreign countries, advertising extensively in foreign cotton trade journals and maintaining agents in cotton importing countries to help buyers obtain U. S. cotton of the desired quality and staple length.

By forming an export company, twenty-two regional grain cooperatives have expanded foreign shipments of grain for their farmer-members. These regionals, which are owned by about 1,600 co-op elevators, were assisted in this export development through studies conducted by Farmer Cooperative Service. The Service also assisted a group of 17 cottonseed and soybean oilseed cooperatives in establishing a joint sales agency to market oil and meal. One of its principal objectives will be to increase exports of cottonseed and soybean oil.

Cooperatives have been leaders in the use of advertising as a means for developing and expanding markets for agricultural products. They spent about \$25 million for advertising and promoting their members' products, or 37 percent of the \$67 million spent by all agricultural groups in fiscal year 1958, according to a study by the Agricultural Marketing Service. Of the approximately \$1 million spent for foreign promotional activities by agricultural producer-processor groups, farmer cooperatives spent almost two-thirds. Co-ops spent almost another quarter of a million dollars the same year on research related to foreign promotion.

FOREST PRODUCTS MARKETING AND UTILIZATION RESEARCH

Research work conducted at both the Forest Products Laboratory and regional experiment stations of the Forest Service continues to show progress in developing new uses and expanding markets for wood. Such work is especially aimed at surplus low-grade timber and unused residues. Examples of recent work follow:

Considerable progress has been made on a large-scale study of western species, in cooperation with forestry industry groups, to evaluate intrinsic wood quality in standing timber. To better establish a position in the market, this study will develop a firm basis for evaluating strength characteristics and other properties. Data have been obtained from approximately 28,000 wood samples from 4,200 plots over the range of western softwood species.

Research to determine the feasibility of utilizing surplus No. 4 Common eastern white pine lumber for fabricating large clear lumber panels from small clear cuttings led to granting of an ARA loan to establish an end-and-edge-joining operation in the northeast.

Good progress was made on the Log and Tree Grade research project of the Forest Service. The six sub-projects are expediting a coordinated and correlated effort designed to develop and apply grades. Improved grades for the southern pines and ponderosa and sugar pine logs are completed. With such developments, intrinsic quality can better be classified; thus enabling the raw material to be directed to the proper use.

Utilization of wood fiber from vast stands of low quality softwood and hardwood for pulp and chemical industries depends on development of low cost harvesting and transportation systems. Utilization of other stands of timber now inaccessible due to terrain, erosion hazards, or for aesthetic reasons require development of radically new harvesting and transportation schemes. Engineering research is directing special attention to these problems. Studies to date indicate that water pipeline transport of wood chips can reduce transportation costs significantly. Studies and trials now completed show that helicopter logging offers great promise as a means of overcoming accessibility problems.

A study of timber supplies in the southern Piedmont of North Carolina indicated that the hardwood growing stock is rapidly increasing and can provide the base for new or expanded wood-using industries. The bulk of the surplus growth is made up of yellow-poplar, sweetgum, and white oak. These species comprise 56 percent of the hardwood sawtimber supply and account for 77 percent of the net increase in inventories between 1937 and 1955.

Results of a timber marketing study in West Virginia showed that prospects for establishment or expansion of wood-using plants in the Beckley-Hinton area of southern West Virginia appear promising. There is a sizeable and increasing wood supply of relatively good quality, water supplies are adequate for moderate-size pulp mills, industrial sites and utilities are

readily available, and local financial assistance is available under a new Industrial Development Authority.

A classification of logging residues in eastern Oregon, made to determine the economic feasibility of utilizing this material indicating that because of such factors as small volumes of residues per acre and the knotty character of much of the residues, there was little current opportunity for economic use of this raw material.

As part of a continuing program of studies of present and potential timber demands, comprehensive information on use of wood products in FHA-financed residential construction has been obtained from offices throughout the United States. This has indicated, for example, that in 1959 seven out of ten FHA inspected houses in the Nation were of wood frame wall construction. Four out of ten were built on a concrete slab. Other characteristics varied widely from region to region. When completed, this study will provide information on the amounts and kind of timber products used in house construction and on the ways this use is affected by differences in type of construction, structure size, construction cost, and geographic location.

A survey of selected transportation industries, including packing and crating, trucking, and water-borne shipping industries, showed that in 1958 an estimated \$15.7 million was spent for lumber and plywood and \$4.7 million for wooden containers and pallets. Of the lumber purchased, 62 percent was used for dunnage, bracing, and blocking; 22 percent for boxes and crates; 12 percent for repair and maintenance of trucks, and the remaining 4 percent for pallets. Industries concerned with ocean-borne shipping, including both the ship companies and stevedore firms, used 60 percent of the lumber, trucking companies 22 percent, and packing and crating firms about 14 percent. Such markets provide major outlets for low grade timber.

In central Minnesota, a pilot study of farm use of lumber showed an average annual use of 100 board feet of lumber for repair and 500 board feet for new construction. About 78 percent of the repair lumber and 60 percent of the lumber for new construction consisted of native hardwoods from local wood lots. Gross farm income, indicating ability to purchase and expand operations, turned out to be the best indicator of lumber consumption. A similar study of wood use in rural areas of Missouri showed that farmers and other rural dwellers in that area annually consume about 1,100 board feet of lumber per farm, 3.6 square feet of plywood, 4.6 cords of fuelwood, and 133 fence posts. Farm construction is another major outlet for low grade timber.

PART IV

RECOMMENDATIONS FOR ADDITIONAL LEGISLATION NECESSARY TO
ACCOMPLISH THE PURPOSES OF THIS SECTION

The Department has no legislative recommendations to submit at this time, but proposals may be submitted at a later date.

APPENDIX I

LEGISLATIVE AUTHORITIES FOR CCC DISPOSITION METHODS

1. DOLLAR SALES

Domestic

Section 407 of the Agricultural Act of 1949 as amended, places certain restrictions on domestic sales of CCC owned commodities. Under this section the general rule is that CCC may not sell for unrestricted use any basic agricultural commodity or storable nonbasic commodity at less than five percent above the current support price plus reasonable carrying charges. The price restrictions of the section do not apply to sales in redemption of certificates made under the Emergency Feed Grain Program.

Section 102 of the Agricultural Act of 1949, as amended, which was added by Section 101 of the Agricultural Act of 1958, directed CCC during the period beginning August 1, 1959 and ending July 31, 1961, to offer any upland cotton owned by it for sale for unrestricted use at not less than 10 percent above the level of price support for Choice (B) cotton.

Section 407 provides further with reference to cotton that effective August 1, 1961 the Corporation shall not sell any upland or extra long staple cotton for unrestricted use at less than 15 percent above the current support price for cotton plus reasonable carrying charges; except that the Corporation may, in an orderly manner and so as not to affect market prices unduly, sell for unrestricted use at the market price at the time of sale a number of bales of cotton equal to the number of bales by which the national marketing quota for such marketing year is reduced below the estimated domestic consumption and exports for such marketing year pursuant to the provisions of Section 342 of the Agricultural Adjustment Act of 1938, as amended.

Public Law 85-96 (approved July 10, 1957) authorized the withdrawal of 50,000 bales of domestically grown extra long staple cotton from the national strategic and critical stockpile for sale by CCC in accordance with the pricing provisions of Section 407 of the Agricultural Act of 1949, as amended.

Public Law 87-5 permits delivery of feed grains at regular market prices in redemption of payment-in-kind certificates under the 1961 Feed Grain Program.

Export

Section 407 of the Agricultural Act of 1949, as amended, authorizes the sale of CCC-owned commodities for export without price restriction. Sales for export include sales made on condition that commodities of the same kind of comparable value or quantity be exported in raw or processed form.

Specific authorities with respect to export sales of cotton are as follows:

1. Section 203 of the Agricultural Act of 1956 directs CCC to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cotton of comparable qualities is being

offered in substantial quantities by other exporting countries. Such quantities of cotton are to be sold as will re-establish and maintain the fair historical share (as determined by the Secretary of Agriculture) of the world market for U. S. cotton.

CCC Credit Program

Under authority of the CCC Charter Act and to encourage additional export sales for dollars, commercial sales of CCC commodities and tobacco under loan to CCC are made under the CCC Credit Program on a deferred payment basis for periods up to three years. With respect to payment-in-kind commodities, special restrictions are applicable to cash dollar markets. Interest is charged at the rate announced each month by CCC and runs from the period of delivery of the commodities to the U. S. exporter until the end of the deferred payment period. All sales under the program are made to U. S. exporters. In applying for credit, the exporter is required to state the extent to which he will pass on the credit to foreign buyers. An assurance of payment from a U. S. bank is required for all purchases.

Title IV, Public Law 480

Title IV, Public Law 480, approved September 21, 1959, authorizes the President to enter into agreements with friendly nations under which the United States shall undertake to provide for delivery annually of quantities of surplus agricultural commodities for periods not to exceed 10 years providing such commodities are in surplus at the time the delivery is to be made. This legislation provides for repayment in dollars with interest at a rate not in excess of the cost of the funds to the United States Treasury. Repayment may be made in approximately equal annual amounts over periods of not to exceed 20 years from the date of the last delivery of commodities in each calendar year under the agreement.

2. BARTER

Several legislative authorities specifically authorize CCC to barter commodities for strategic materials or for certain other materials, goods, and equipment. The CCC Charter Act authorizes the barter of CCC commodities for strategic and critical materials produced abroad. Section 303 of the Agricultural Trade Development and Assistance Act of 1954, as amended, provides that the Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for offshore construction programs.

Recently, a thorough review of the barter program was made by the Executive Stockpile Committee (membership appointed by the President). Based on recommendations by the Committee, and approved by the President greater emphasis than in the past will be given to the use of barter for the procurement of non-strategic-material items which meet approved program requirements of U. S. Government agencies within funds currently available or within procurement authority which extends over a period of years and for which dollars would normally be spent abroad. Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC to (a) make its commodities available to any federal agency for use in making payment for commodities not produced in the United States, or (b) barter or exchange such commodities for strategic or other materials as authorized by law. Also see Public 765, 83rd Congress, as amended. ^{1/}

3. SALES FOR FOREIGN CURRENCIES ^{2/}

Title I, Public Law 480, as amended, authorizes sales of U. S. surplus agricultural commodities for foreign currencies. These sales are made through private trade channels pursuant to Government-to-Government agreements with friendly nations. Public Law 87-128 extended Title I of P. L. 480 for an additional three years through December 31, 1964 but placed a limitation of \$2.5 billion for any one calendar year. The requirement that the exchange rate applicable to Title I sales be as favorable as those at which U. S. agencies can buy foreign currency was added by this law.

4. TRANSFERS AND DONATIONS

Domestic

There are a number of different authorities under which domestic transfers and donations are made. Purchases are made from private

^{1/} Section 407, Public Law 765, 83rd Congress, as amended, authorizes the Secretary of Defense to construct or acquire by lease or otherwise family housing for occupancy as public quarters in foreign countries through the use of foreign currencies in accordance with provisions of P. L. 480, or through other commodity transactions of CCC. Reimbursement is made to CCC by the Department of Defense from savings in Quarters Allowance. Section 420 of Public Law 86-149 directs the Department of Defense in carrying out any project authorized by that Act or any other Military Construction Act, to utilize foreign currencies acquired under Public Law 480-83rd Congress to extent available and feasible in lieu of dollars and to reimburse Commodity Credit Corporation for any foreign currencies so utilized.

^{2/} Section 402 of the Mutual Security Act of 1954, as amended, required that a specified amount of Mutual Security Act appropriated funds be used to finance the sales and export of surplus agricultural commodities produced in the U. S. Mutual Security Act programs were administered by the International Cooperation Administration (ICA). Except for a minor amount of transfers to ICA, CCC received dollars for ICA-financed purchases of commodities from CCC. Such sales are included in CCC dollar sales.

stocks and from CCC inventories under Section 32, Public Law 320, 74th Congress, as amended, and supplemented. This legislation authorizes the donation of agricultural commodities and products for relief and school lunch program purposes.

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate food commodities acquired through price support programs to the Bureau of Indian Affairs and to federal, state, and private agencies for use in the United States in non-profit school lunch programs and in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent needy persons are served.

Public Law 86-756, as amended by Public Law 87-179, authorizes schools receiving surplus foods from the Department for school lunch purposes to use such foods in training high school students in home economic courses. It also provides that such schools may use the donated surplus foods to train college students if the same facilities and instructors are used to train college students in home economic courses.

Section 407 of the Agricultural Act of 1949, as amended, directs CCC to make available farm commodities or products for use in relieving distress in areas determined by the President of the United States to be acute distress areas because of unemployment or other economic causes and also in connection with any major disaster determined by the President of the United States to warrant assistance under Public Law 875, 81st Congress.

Public Law 87-127 amended Section 407 to permit more expeditious relief, in that the Secretary can make feed owned or controlled by CCC available for foundation herds at not less than 75% of the current support price when it is determined by the Secretary that an emergency exists. Public Law 86-299 permits the sale of such feed in such areas at not less than the current support price for other livestock of persons who cannot obtain sufficient feed without undue financial handicap.

Public Law 654, 84th Congress, directs CCC to make available to the Secretary of Interior grains acquired through price support operations as the Secretary of Interior may requisition for the purpose of preventing crop damage by migratory waterfowl.

To the extent that such quantities are in excess of usual commercial purchases, Section 202 of the Agricultural Act of 1949, as amended, directs CCC to make its stocks of dairy products available to the armed services and to veterans' hospitals without charge, except that such agencies shall pay CCC for the cost of packaging.

Section 210 of the Agricultural Act of 1956 authorizes CCC to donate food commodities acquired through price support programs to federal penal and correctional institutions, and to State correctional institutions for minors other than those in which food service is provided for on a fee, contract, or concession basis.

Public Law 87-152 authorizes the Secretary of Interior to requisition grain from CCC for the purpose of feeding migratory birds when threatened with starvation and authorizes the use of CCC owned grain by the States for emergency use in the feeding of resident game birds and other resident wildlife.

Foreign

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate commodities acquired under the price support programs to non-profit voluntary agencies and to intergovernmental organizations for use in the assistance of needy persons and in non-profit school lunch programs outside the United States.

Section 308 of P. L. 480, as amended, authorizes CCC to donate for foreign relief and foreign non-profit school lunch programs, fats and oils from its stocks or such quantities of fats and oils purchased by CCC as the Secretary determines will tend to maintain the support levels for cottonseed and soybeans without requiring the acquisition of such commodities under the price support program.

Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480) directs CCC to make available to the President of the United States commodities for donation to friendly nations and friendly but needy populations without regard to the friendliness of their governments to meet famine or other urgent or extraordinary relief requirements. Public Law 87-128 extended the authority contained in Title II through December 31, 1964.

5. PAYMENT-IN-KIND PROGRAMS

Payment-in-Kind export programs have been developed through authority of the CCC Charter Act.

During the 1960-61 cotton marketing year, CCC continued the "payment-in-kind" export program on upland cotton. To encourage exports through usual commercial trade handling, subsidy payments in the form of negotiable certificates computed at the rate of 6 cents per pound of cotton exported were made to exporters who shipped eligible cotton. Certificates could be used to pay for cotton purchased under CCC sales programs. A payment-in-kind program similar to that for 1960-61 is in operation for upland cotton exported during the 1961-62 marketing year. The rate of payment has been 8.5 cents per pound up to this time. The announced rate is subject to change without prior notice.

Public Law 87-5 provided for payment-in-kind to producers for the diversion of corn and grain sorghums acreage under the 1961 Feed Grain Program.

Other payment-in-kind export programs were carried out in the same manner as reported last year. A new payment-in-kind program was instituted for nonfat dry milk on March 6, 1962.

